

**BUREAU OF INDIAN AFFAIRS
STATUS REPORT - PHASE II
JANUARY 16, 1994 THROUGH JANUARY 31, 1994**

Document Sorting -

As of November 30, 1993, the Bureau has halted their search for additional documents. All available sorted documents were delivered to Arthur Andersen on November 30, 1993. No additional documents are expected from the Bureau.

Contract Certification -

In July of 1993 the Bureau sent out a Request for Proposal for performance of a certification contract. The objective of this contract was to obtain independent verification that the work performed under Arthur Andersen & Co.'s original contract, and subsequent modifications, was performed in accordance with the contract. Coopers & Lybrand was selected as the certification contractor in the fall of 1993. Subsequent to their selection, we have been requested to attend weekly meetings, interact with field staff and supply supporting documentation of work performed. Consequently, we have begun to summarize requests and timelines which we believe should be incorporated into our semi-monthly status reports (see Attachments I and II).

Reconciliation -

Schedules I and III summarize work accomplished during this reporting period. Following is a brief summary of the reconciliation statistics reported in the attached schedules. Transactions include investments.

	<u>Transactions</u>		<u>Amount</u> (000's)	
Total transactions reconciled	218,274	88.48%	\$ 14,569,889	82.80%
Total unreconciled	28,410	11.52%	3,025,759	17.20%
Total	246,684	100.00%	17,595,648	100.00%
Reconciled since previous report	836		\$ 135,450	

Arthur Andersen has continued to provide weekly statistical summaries of documents provided for reconciliation, and documents reconciled. We have also continued to provide special statistical reports at the request of the Bureau. Schedule VI summarizes special data requests by the Bureau filled during this period.

During this period we began to perform final clean-up procedures on all non-investment redwelds. The majority of this work was completed on January 31, 1994. Open areas that remain involve exception research and miscellaneous final quality assurance review. The forwarding of the last remaining exceptions requiring Bureau review is scheduled to be completed the week of February 7, 1994. However, the Bureau has been informed that other exceptions which have been cleared or below follow-up scope are currently under manager review and some of these exceptions may be moved across depending on final manager review. Bureau response is due back by March 31, 1994.

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SUPERVISED ACCOUNTS

Geology Center -

The lease database has been completed for all redwelds related to the Five Tribes. The lease database information has been forwarded to Albuquerque and will be used in conjunction with work to be performed at the remaining three (3) sites.

Work regarding completion of a lease database on a global basis was begun in mid-December, 1993. As of January 31, 1994 approximately 900 receipt document redwelds have been coded and input while an additional 500 receipt document redwelds have been coded and require input to be performed. 685 receipt document redwelds require coding and input to be performed and are being shipped to Phoenix on a regular basis. Completion of the Global Fill the Gap is expected to be coded and input by early March, 1994.

We have tested the conversion process of images created in Phoenix to our system in Albuquerque. The new Seaview version was installed the week of November 8 and we have completed the conversion of the database to version 2.0. The scanning project began on November 8, 1993. As of January 31, 1994, 756 redwelds or 226,111 pages had been scanned.

It is projected that the entire scanning process will involve approximately 750,000 pages. With this in mind, roughly 30% of the population has been scanned. The Bureau has purchased two scanners in order to increase production levels. If these scanners are put into operation by February 21, 1994, then this task could be completed by April 1, 1994.

Systems Reconciliation - MoneyMax vs. Finance System -

We obtained a summary of Tribal variances from the Bureau that were loaded into automated spreadsheets in order to identify specific Tribal account variances. A variance of approximately \$11 million affecting 72 tribes has been analyzed and specific transactions resulting in the variance have been identified. Schedule V tracks our requests for supporting documents.

Following is a summary of the status of follow-up reconciliation procedures:

Cleared through Bureau internal reconciliation efforts proposed adjustments to Finance	\$ 1,600,000
Arthur Andersen's proposed reconciliation adjustments to MoneyMax	14,000
Arthur Andersen's proposed reconciliation adjustments to Finance	9,380,000
Remaining open items	6,000
Total variance	<u>\$ 11,000,000</u>

- need to
id adjust
Finance
was off
by 3 H M

R As was noted in prior status reports, several document requests were outstanding for more than one month. Due to this delay it became evident that the original estimated completion date of September 30, 1993, would not be met. Formal notification of this change and time extension was requested and approved by the Contracting Officer. Subsequent to this, an additional delay was requested by the Bureau due to the urgency of completing the back-log of basic reconciliation work.

target 2/28/94
next pg.

For Special Funds we located the variance amounts for the three (3) special funds (Contributed, Papago and Alaska Native). The fourth special fund (Navajo Rehabilitation) did not have a variance and thus does not require further reconciliation work. The total variance approximates \$92,000 for the three funds in the population.

As can be noted on Schedule V, we had made additional requests for supporting documents for Confederated Yakima and Hoopa Tribes. Additionally, requests for supporting documents for Southern Ute Tribe, Pueblo of Laguna and Alaska Native Special Fund were also made. All requests have been received and documentation is being reviewed to determine if it clears the variances.

We met with Margaret Williams of the Bureau through January 27, 1994 to obtain Bureau approval of the proposed adjustments. Our efforts are now being directed at finalizing the report and summaries that are to be provided to the Bureau along with the proposed adjustments. The expected date of completion is February 28, 1994.

check status

Systems Reconciliation - U.S. Treasury vs. Finance System -

As of December 15, 1993, we had finalized our workplan outline and were ready to commence the U.S. Treasury to Finance System Reconciliation work. On December 13, 1993 we presented our workplan outline to the Bureau and Coopers and Lybrand (see Attachment II). As discussed in the workplan outline, we will require Bureau assistance in locating additional U.S. Treasury reports and Bureau performed reconciliations. On January 10, 1994 we received portions of the requested U.S. Treasury reports and Bureau performed reconciliations. However, various items as discussed in the December 13, 1993 planning meeting and the December 30, 1993 letter to Doug Lords have not been received, nor have Trust Funds Management System downloads been received. On January 12, 1994 we began keying all available ALC 0650 and 0651 U.S. Treasury reports. On January 13, 1994 ALC 0651 keying was completed. Keying of ALC 0650 was completed by the end of January, 1994. We have begun to review Bureau performed reconciliations which were received on January 10, 1994 (see Attachment III). We have not received Trust Funds Management System downloads as of January 31, 1994 which will be required prior to the commencement of the automated reconciliation work. We are currently in the process of reviewing U.S. Treasury milestones due to the delay in receiving U.S. Treasury downloads, but the Bureau is hoping to deliver the downloads to Arthur Andersen by the week of February 7, 1994.

Five Tribal Agreed Upon Procedures -

On October 29, 1993 we presented our draft operational review reports to the Bureau for both Yakima and Hopi and discussed the status of the Hopi Agency work recently started. The Bureau is particularly concerned with the "compliance with CFR regulations" which will require some focused effort over the next few weeks.

get categories

Due to the lack of a listing of leases (lease database) for the Yakima site we have been forced to review all collection vouchers at the Yakima site and identify tribal leases. The work has been documented through review checklists that will later be matched against the lease database being created by the Technology Center. Leases reviewed are also being documented on checklists and compared to collection voucher checklists. We also have noted that surface lease records prior to 1986 were destroyed by the Federal Records Center which will affect the extent of testing that can be performed. Following is a summary of surface lease testing:

no assurance that all leases were properly billed & collected

	Number	Net Dollar Effect
Leases reviewed	351	\$ 14,582,001
Errors identified:		
Incorrect interest charged	115	\$ 46,587
Incorrect fee charged	23	47,099
Other miscellaneous errors	27	2,391
	<i>almost 1/2</i> 165	\$ 96,077

.6%

- Based on the number of years the contract is active we agreed the amounts on the collection voucher (CV) to the billings statement for each lease number. The billings statement is prepared by the Realty Department and shows how the money is to be allocated to the different accounts (tribal, tribal land enterprise, or individual Indian money). The billing statement is then agreed to the appropriate lease contract based on contract and allotment numbers.
- These are the common exceptions noted by the team:
 - Interest on delinquent payments is not collected.
 - Interest collected on delinquent payments does not match what should be collected.
 - The execution fee was posted to the Tribal Land Enterprises or BIA miscellaneous account as opposed to the tribal account.

Relative to the lease amount, these exceptions are not significant.

- In addition, AA & Co. reviewed 100 leases below the \$5,000 scope.

All findings/proposed adjustments will be discussed with Bureau agency personnel for Bureau follow up prior to completion of fieldwork.

Yakima Tribe fieldwork ended on December 10, 1993. The remaining follow-up work will be performed in Albuquerque. This work will include testing of timber volume, tying of amounts to PC Focus report, review of workpapers and completion of final draft. On January 11, 1994, we received the Agency's response to preliminary exceptions identified and the draft operational review report. Report findings were incorporated into the overall report. Preliminary exit meeting was held on January 25, 1994 to review the draft report and discuss procedures and the findings with the Tribe and the Bureau. Comments and responses are due from the Tribe and the Bureau by February 28, 1994.

*BIA Agency's response
what about
Tribe's response*

Hopi Tribe preliminary field work began October 11, 1993. As discussed previously, operational/procedural reviews have been performed at Hopi and draft reports have been prepared. Additionally, some lease documents have been reviewed along with completion of initial interviews of Tribal and Agency personnel. Staff from this site had been called back to Albuquerque, at the Bureau's suggestion, to assist in the basic reconciliation effort and to allow the Agency office to accumulate requested documents.

From November 14, 1993 through November 24, 1993 the staff reviewed selected lease files to determine if they were in compliance with specific provisions of the Code of Federal Regulations. A schedule was created that lists all lease files selected with their terms and other information.

what are they?

The staff also obtained Peabody Coal Production Reports available from the Realty Office and the Hopi Agency. Several individuals were also interviewed at the Tribal Offices to determine how a lease flows through the system.

who & what positions/titles

The week of November 29, 1993 was spent wrapping up our findings, requesting additional information necessary to complete our work and getting our files in order. During the week of December 6, 1993 the staff worked on locating missing information and finding the remaining Peabody Coal Production Reports. The staff went to Phoenix during the week to locate additional supporting documentation at the Technology Center and to visit the Bureau of Land Management (BLM) to copy any missing Peabody Coal Production Reports.

During the week of December 13, 1993 a meeting was held to discuss the roles of the BIA, BLM and MMS. On December 16, 1993 another meeting was held to discuss the work we had performed and our preliminary findings. From this meeting it was determined that some additional work needs to be performed on grazing fees and village leases. During the week of December 20, 1993, the staff waited for additional information to be provided, by the Bureau, so that work can be completed.

Do we have a record of meeting content?

The staff drafted a preliminary report that was presented to the Bureau on December 19, 1993. From this meeting, it was concluded that several areas remained open and needed to be addressed by all parties (Tribal, Bureau and Arthur Andersen) in order to be completed. This preliminary report was presented to the Phoenix Area Office and the Tribe on January 6 and 7, respectively. All changes requested in these meetings have been made. A preliminary meeting with Tribal Council is scheduled for February 15, 1994. An exit meeting is pending completion of financial analysis. We have made several requests for supplemental documentation and information that remain open. We have had a meeting with Coopers & Lybrand regarding their work paper review.

Can we get rept

Do we know results of mtg?

The entrance meeting was held for Flathead on January 27, 1994. At the conclusion of the meeting, several issues remained open. A follow-up meeting is scheduled on February 17, 1994 to discuss open issues. The staff began field work on February 1, 1994. Their initial focus was to perform an operational review of the significant areas (forestry and surface leasing). A meeting is scheduled for February 10, 1994 with the Bureau and the Tribe in which we will discuss the following:

- Timber Scopes *explain*
- Surface Lease Scopes *need explanation*
- Pilot Project (IRMS) *what is this*
- Lag Time related to Timber Sales *what is the time lag*

Entrance conference dates for the remaining two (2) Tribes is still being discussed.